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Chairman: Mr. Rosenthal ..... (Guatemala)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.10 a.m.

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*) (A/54/287 and Add.1, A/54/456 and Add.1-5 and A/55/543)

1. **Mr. Hassan** (Nigeria), speaking on behalf of the Group of 77 and China, said that those delegations believed that the concept of results-based budgeting, with its emphasis on quantitative outputs, should be customized to cater to the specific needs and objectives of the United Nations, and shared the view of the Advisory Committee (A/55/543, para. 12) that the definition of terms and guidelines should be fine-tuned. In a multilateral organization of 189 countries, "expected accomplishments", "results" or "indicators of achievement", while important, could not fully justify the resource requirements of any given programme, especially programmes that were carried out in pursuance of political decisions taken by Member States, or in which the expected accomplishments were difficult, if not impossible, to quantify.

2. The Group of 77 and China stressed that the budget document was a means of implementing programmes collectively agreed upon by Member States within the framework of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and Methods of Evaluation and the relevant mandates of the General Assembly. They believed that results-based budgeting should not be conceived as a tool to reduce either the human or the financial resources of the Organization, and that view was shared by the Advisory Committee (A/55/543, paras. 27 and 28), and by many Member States, including some developed countries. Any changes to the budget methodology should be made only with the prior endorsement of the General Assembly, and should not affect the Regulations and Rules Governing Programme Planning or the financial regulations. The proposed programme budget for the 2002-2003 biennium should be prepared on the basis of the 2002-2005 medium-term plan which the General Assembly would approve at its current session.

3. With regard to the delegation of authority to programme managers, the Group of 77 and China concurred with the Advisory Committee's observations in paragraph 16 of its report, and looked forward to receiving the clarifications sought therein. They believed that the enhanced delegation of authority to programme managers would not have a direct correlation with increased efficiency unless there was a rigorous system of accountability and oversight.

4. In view of the correlation between inputs and outputs, it was essential to provide adequate financial and human resources for the effective implementation of all mandated programmes and activities.

5. **Mr. Babar** (Pakistan) said that his delegation associated itself with the statement made by the representative of Nigeria on behalf of the Group of 77 and China. While the 1997 reform proposals of the Secretary-General had been well-received, some elements which tended to detract from the international character of the Organization had not been unanimously accepted by Member States. Results-based budgeting was one such proposal. The definition and methodology lacked clarity, and the concept seemed more appropriate for a multinational corporation for which profit was paramount than for a multilateral international organization pursuing sensitive and complex political and socio-economic objectives agreed upon by consensus. At a definitional level, the concept implied that if the expected results were not achieved, resources should be cut. If results-based budgeting had no impact on budgets or staff, as the Secretary-General indicated in his report (A/54/456, para. 43), it could be asked whether it was useful to replace an established practice by an imprecise method. The statement that "accountability under results-based budgeting does not imply that, if results have not been achieved as expected, resources should necessarily be cut" required further clarification, especially with regard to the implications of the word "necessarily". The same went for "expected accomplishments", a central concept at the operational level for all United Nations activities, which, according to the Secretary-General, would be indistinguishable from "expected results" but different from "outputs". The Advisory Committee rightly stressed the importance of fine-tuning the terminology. In Pakistan's view, those ambiguities merited deeper reflection.

6. Attempts to base budgetary allocations on expected accomplishments or results had three notable conceptual flaws. First, the quantification of accomplishments could be impossible, for example

there was no way to determine how long it would take for the United Nations to establish peace, fight terrorism or foreign occupation, or eliminate weapons of mass destruction. Second, the expected accomplishments or outputs were invariably linked to inputs, but there had been a tendency to impose limits on the allocation of resources, as was demonstrated by the attempts to impose zero nominal growth. In reality, it was precisely a lack of resources in relation to expected results which could lead to under-performance, until the programme in question was eliminated through no fault of the programme manager. Third, it was extremely difficult to measure the contribution of external factors in the realization of accomplishments: most programmes executed at the national level used national inputs, and countries naturally provided more assistance to programmes corresponding to their own priorities. That situation had the potential to distort the entire system of results-based budgeting and destabilize the whole budgetary process of the United Nations, which so far had worked quite well.

7. Noting that the Advisory Committee was awaiting information from the Secretary-General on the way in which he was exercising the existing authority to transfer funds within sections of the budget, he asked how additional flexibility for programme managers would help make the Organization more efficient, particularly in the absence of accompanying additional accountability.

8. The Regulations and Rules Governing Programme Planning had only recently been updated in order to increase effectiveness and the format of the medium-term plan had been modified for the same purpose: the current system therefore made adequate provision for the formulation, monitoring and evaluation of the programme budget. The Committee for Programme and Coordination and the Committee, which played an important role in that process, were best suited to evaluate programme delivery and the achievement of the objectives set by the Member States. It would be unwise to suddenly replace a stable financial and budgetary system, which had evolved through experience and could be further improved, by another system based on untested assumptions and vague concepts which could be inappropriate for the United Nations.

9. **Mr. Park** Hae-yun (Republic of Korea) said that programme budgeting, as currently practised, remained weak, despite the improvements made since its introduction in 1974. Since it concentrated on outputs, it could not focus on determining the continued relevance and effectiveness of those outputs. The link between resources and results remained weak, since Member States tended to focus on input control, and programme managers on output delivery. It was those weaknesses, which were clearly identified in the report of the Secretary-General (A/54/456), which results-based budgeting sought to address, while helping to determine the most appropriate use of resources, since performance was measured by objective indicators. That method required that programme managers should focus on accomplishments and take timely decisions on resource management, and held them responsible for those decisions.

10. The Republic of Korea looked forward to optimal deployment of resources and enhanced management capacity through the use of performance indicators and the increased delegation of authority. Like the Advisory Committee, it believed that the introduction of new budget procedures should not be seen as a means to reduce the budget or achieve savings (A/55/543, para. 27). Since the goal of results-based budgeting should be to strengthen the existing procedures, there was no immediate need to amend the financial regulations or the Regulations and Rules Governing Programme Planning. It was important to expand information technology and cost accounting systems, however, and to carry out staff training.

11. Subject to those comments, his delegation fully endorsed the recommendations made by the Secretary-General in his report (A/54/456), and the Advisory Committee's recommendation that the programme performance report for the 2002-2003 biennium should contain an assessment of the performance of the Organization in terms of all the expected accomplishments, using the indicators of achievement that would be included in the proposed programme budget for 2002-2003.

12. **Ms. McLurg** (United States of America) said that her delegation supported the comments made by the Advisory Committee in paragraph 7 of its report (A/55/543) concerning the weakness of the budgetary process and believed that the Secretary-General's proposals concerning the development of specific goals, expected accomplishments and achievement indicators would help address that weakness while preserving the strengths of the current process. Since

those concepts were already integrated in the Regulations and Rules Governing Programme Planning, a large part of the implementation of the proposed steps would involve refining, improving and carrying out more completely the existing arrangements.

13. Like the Advisory Committee (A/55/543, para. 24), her delegation believed that it was essential for information systems to provide the data needed for effective evaluations. Unless performance-based management concepts were used, programme managers would be denied the tools to help them manage more effectively and Member States would lack the information needed for making critical decisions about mandates and resources. Subject to the comments and conclusions of the Advisory Committee, her delegation therefore supported the Secretary-General's proposals as a way to move forward in the direction Member States had urged for years.

14. **Ms. Silot** (Cuba) said that her delegation associated itself with the statement made by the representative of Nigeria on behalf of the Group of 77 and China. It noted with regret that Member States still had not received the information they had requested several times that would enable them to understand the results-based budgeting method and the true motivations of those who supported its application in the United Nations. In particular, the Secretariat should revise the addenda to document A/54/456 in the light of the experience gained before the General Assembly would be in a position to make a final decision on the matter.

15. Contrary to the assertions of the Secretariat, the adoption of results-based budgeting could not be justified by the lack of a mechanism for evaluating the Organization's effectiveness. The current planning and budgeting process included the essential elements necessary for such an evaluation. The major problem to be addressed in order to increase efficiency was that of the resources allocated for the execution of the Organization's activities; attempts had been made to reduce them arbitrarily since the adoption of General Assembly resolution 50/214. Noting that the Secretariat had decided to introduce results-based budgeting gradually, in particular by changing the rules governing programme planning, her delegation recalled that, when such revisions as the introduction of expected accomplishments in the medium-term plan had been approved by the Committee for Programme and Coordination and the General Assembly, it had simply been a question of improving the presentation and transparency of the plan and the proposed budget. By stating in his report that nothing in the regulations in force precluded the adoption of the new system, the Secretary-General implied that it could be implemented by circumventing the will of the General Assembly.

16. Her delegation had concerns about some of the intentions stated with regard to objectives, the level of detail of inputs and the definition of expected accomplishments. She recalled that, during the consideration of the medium-term plan, the Committee for Programme and Coordination had experienced a great deal of difficulty in correcting some of the excesses of the Secretariat, whose wish to create a synthesis had resulted in some cases in selective treatment of very important mandates, a lack of coherence among objectives, performance indicators and expected accomplishments, and the artificial establishment of indicators in some subprogrammes which did not lend themselves thereto.

17. As the main policy tool of the Organization, the medium-term plan should contain all the elements of information necessary for policy definition. The programme budget should also provide Member States with all the information necessary for effective monitoring; it should therefore not be unduly simplified. Concerning the latitude to be allowed programme managers, her delegation requested the Secretariat to provide information on the current situation in a discussion paper. It believed that programme managers should not be authorized to differentiate between post and non-post expenditures.

18. Another weakness of the proposals made was the lack of specific information regarding monitoring of execution and evaluation. Evaluation should be concerned not just with results, but also with the utilization of resources, for example, staff and the delivery of outputs of a particular interest to Member States. It was thus essential to define the elements of the evaluation process and its relationship to the amount of resources approved for the various programmes. Furthermore, it might be appropriate to review the organizational structure of the Secretariat if indeed the attachment of the Central Evaluation Group to an office other than the Office of Programme Planning, Budget and Accounts represented an obstacle to the implementation of the new system.

19. Although the General Assembly had stated unequivocally that the purpose of results-based budgeting was not to reduce resources allocated to programmes, that possibility was not excluded in document A/54/456. Her delegation regretted that it had found no information either in the report of the Secretariat or in that of the Advisory Committee on the links that would be established between the results of programme execution during a given period and the amount of resources to be allocated for the following period.

20. **Mr. Nakkari** (Syrian Arab Republic) said that the expanded power of programme managers envisaged in the context of results-based budgeting should be accompanied by increased accountability. His delegation stressed that managers should not be allowed to use external factors as a pretext for placing the responsibility for poor results on others, including Member States. It took note of the recommendations of the Joint Inspection Unit (A/54/287), in particular, recommendation 5, which invited the Secretary-General to submit to the General Assembly a report on how to reflect external factors in the determination of the accountability of programme managers. It agreed with the Joint Inspection Unit that the matter should be considered by the Advisory Committee and by the Committee for Programme and Coordination. It did not share the views expressed by the Secretary-General in paragraphs 32 and 33 of his report (A/54/456). It believed that external factors were an important element that should be considered in depth.

21. For many subprogrammes, the correlation between the resources requested and performance indicators was not clearly established. The necessary human and financial resources must be allocated for the execution of each programme and subprogramme so that the expected accomplishments could be achieved. While recognizing that some objectives could not be reached within one programming cycle, as the Secretary-General stressed in paragraphs 82 and 83 of his report, his delegation believed that clear definitions of expected accomplishments and performance indicators were essential.

22. In paragraph 26 of its report, the Joint Inspection Unit stated that the organizations surveyed had recognized the difficulty in applying results-based budgeting to certain parts of the programme budget. That comment appeared particularly relevant in the case of activities aimed at meeting the most noble objectives of the Organization, such as the eradication of colonialism, racism or poverty. The application of the principles underlying that method should thus be limited to programmes with measurable results.

23. His delegation noted with satisfaction that the Secretary-General had supported the recommendation of the Joint Inspection Unit proposing the establishment of an open-ended working group. It believed that such a group could help Member States to have a better understanding of the concept of results-based budgeting.

24. **Mr. Alatrash** (Libyan Arab Jamahiriya) expressed support for the statement made by the representative of Nigeria on behalf of the Group of 77 and China. The issue of results-based budgeting was important but it was also so complex that even those advocating its adoption in non-profit-making organizations and associations generally recommended caution and a training, adjustment and trial period. While businesses and non-profit-making organizations were not two totally distinct environments, there were fundamental differences between them. In business, success was measured by profits. Actions taken at the United Nations were aimed at ensuring that Member States, who were the clients, were provided with such services as were allowed by the available resources. Success was measured as part of a quantitative and qualitative programme assessment process and in terms of the contribution of such programmes to the well-being of the populations of Member States. However, service was an ambiguous concept and was less easily measured than profits. It was therefore difficult, if not impossible, to assess the impact and effectiveness of the Organization's activities, especially since it was just as difficult to establish a correlation between costs and benefits and to quantify them. Therefore, it was necessary to find the best possible substitute to the financial success measurement criterion in business, because it should be possible to determine the relationship between the results achieved and resources expended on the one hand, and between the results achieved and the goals and objectives as set by the Charter, on the other hand. That was how the success of results-based budgeting should be measured.

25. First, since goals were neither time bound nor quantifiable, they could not be used as criteria for the measurement of results. Second, objectives were, on the other hand, specific and time bound. They constituted the main component of the system of

administrative monitoring of the activities of the Organization. Such activities were deemed successful to the extent that they met the Organization's programme objectives. Therefore, such objectives must be defined quantitatively and qualitatively, the issue being to ascertain whether current programme objectives met such requirement or whether there would be a need to make far reaching changes prior to introducing results-based budgeting. Third, expected quantifiable results must be defined to conform with the objectives. Lastly, indicators, which were a tool for measuring results, were often out of step with the activities of the Organization due to the impact of external factors. For example, the increase in life expectancy used as an indicator of achievements of the Organization also reflected, inter alia, public health policies, better diet or a cleaner environment. In that regard, the Secretary-General had decided, in paragraph 30 of his report (A/54/456), to use the term "expected accomplishment" rather than the term "expected results", thereby recognizing the difficulty in measuring results against objectives.

26. The report of the Joint Inspection Unit contained several important comments and recommendations with respect to concerns arising from the experience of other United Nations system organizations in the use of results-based budgeting. The following concerns required special attention in considering the Secretary-General's proposal to apply results-based budgeting to the United Nations: training of managers and staff, establishing priorities and not placing high expectations on results-based budgeting. The most important recommendation of the Joint Inspection Unit related to the establishment, at the level of the Fifth Committee, of an open-ended working group to consider the possible adaptation of results-based budgeting to the United Nations. Despite the difficulties it had noted and the reservations it might have, his delegation acknowledged the need for the establishment of a rigorous system for the analysis, monitoring and oversight of the activities of the Secretariat and United Nations programmes to ensure the optimal use of the Organization's resources.

27. **Mr. Sach** (Director of the Programme Planning and Budget Division), responding to the comments of delegations, said that in the three years that had elapsed since 1997, when the Secretary-General had made his initial proposals on results-based budgeting, the Secretariat had endeavoured to explain the methodology to senior officials, programme managers and all Secretariat staff and to allay the fears of Member States. It had prepared prototype fascicles and many other documents, a total of 500 pages, to better explain the new conception of the organization of work and promote a consensus within the Secretariat and the Fifth Committee. The Secretariat had also prepared a new presentation of the proposed medium-term plan that was compatible with biennial results-based budgeting.

28. Some Member States had expressed concern about the link between results and the volume of resources, fearing that a failure to achieve expected results would lead to cuts. Such concerns were groundless, since results-based budgeting was neutral in that regard. The assessment of results might well lead to the conclusion that inadequate resources had been allocated. Indeed, its purpose was to determine whether the programme should be readjusted in order to achieve the goals set by Member States.

29. Concerning the difficulty in quantifying certain accomplishments, he noted that there were considerable problems in some areas of activity. The Secretariat had tried to solve them in the prototype fascicles. For example, in the prototype of section 3 (political affairs) of the proposed programme budget for the biennium 2000-2001 (A/54/456/Add.1), it had tried, in paragraph 3.25, to define quantitative indicators.

30. Some had questioned the latitude sought for programme managers; it was not a matter of expanding the room for manoeuvre at the disposal of the Secretary-General, who was already authorized to transfer funds within budget sections, but of giving programme managers the opportunity to take full advantage of it.

31. With regard to the external factors, it was more a matter of pointing them out at the beginning than of quantifying them, in order to optimize programme design by modifying certain activities at the planning stage, if necessary, in order to avoid any waste of resources. Nevertheless, it was important, both for intergovernmental bodies and for programme managers, to know which factors could have the greatest influence on the accomplishments. That was why, in the prototype fascicles, they were listed for each subprogramme ahead of the objectives, the

expected accomplishments and the performance indicators.

32. Replying to those delegations which doubted whether all subprogrammes lent themselves to the establishment of performance indicators, he said that the approach adopted by the Secretariat and approved by CPC consisted of defining such indicators in all cases where it was feasible to do so. It then fell to Member States to determine whether such indicators were useful and pertinent and should be retained throughout the programme budget execution period or whether they should, on the contrary, be abandoned.

33. Noting that some delegations had expressed reservations as to the applicability of results-based budgeting to a non-profit organization, he said that the principles adopted were based on numerous examples drawn from both the public and the private sector. Indeed, in both sectors it was essential to optimize the utilization of limited resources. The Secretariat recognized that profit could not be the yardstick of the success or failure of the Organization. That was why it was proposing a complex system of expected accomplishments and performance indicators which should make it possible to measure the progress made in the achievement of the objectives.

34. Some had criticized the Secretariat for not fixing a time limit for the achievement of the objectives; such objectives flowed directly from the mandates set out in General Assembly resolutions, which did not always fix a deadline. On the other hand, the expected accomplishments were accompanied by deadlines which programme managers were required to meet and which they must account for in their reports of activities.

35. Replying to the request for clarifications regarding paragraph 30 of the report of the Secretary-General (A/54/456), he said that the term "expected accomplishments" had been adopted with the aim of standardizing the terminology used in results-based budgeting. The Secretariat would endeavour in the future to avoid using different terms for the same concept.

36. **Mr. Elgammal** (Egypt) asked that the clarifications provided by Mr. Sach should be put in writing and circulated to delegations before informal consultations began on the item.

Agenda item 124: United Nations common system (*continued*) (A/54/483, A/55/30 and A/55/525)

Agenda item 125: United Nations pension system (*continued*) (A/55/9 and A/55/481; A/C.5/55/3)

37. **Mr. Paredes** (Colombia), speaking on behalf of the Rio Group, reaffirmed the importance of the United Nations common system and the fundamental role of the International Civil Service Commission (ICSC). The Group supported the recommendations contained in the ICSC report (A/55/30). The organization's chief asset was their staff; accordingly, they should offer competitive conditions of service that would enable them to secure the services of the most competent and best qualified individuals.

38. The Rio Group noted with satisfaction that ICSC proposed in an annex to its report an integrated framework for modern human resources management in all the organizations applying the common system. The implementation of the different components of that framework should be monitored closely to ensure that it contributed to the success of the reforms aimed at enhancing effectiveness in that area.

39. The well-being and security of staff were major concerns in human resources management. The Rio Group, deploring recent incidents, wished to point out that all States were required to protect United Nations staff at the various duty stations. Stressing the importance of multilingualism within the United Nations, he said that ICSC had deemed it preferable to consider the question of recognition of linguistic knowledge in the broader context of its review of the pay and benefits system; he emphasized the need to provide real incentives for language study. Lastly, with regard to the report of the Secretary-General on strengthening the international civil service (A/55/526), the Rio Group reaffirmed that ICSC should be involved in any study of its mandate and composition.

40. Believing that pensions were a basic element of conditions of service, the Rio Group paid tribute to the United Nations Joint Staff Pension Board, whose investment policy had produced the excellent results mentioned in its report (A/55/9). The achievement of a positive rate of return over 18 consecutive bienniums showed that the long-term strategy adopted met the four criteria established, namely, safety, profitability, liquidity and convertibility.

41. **Ms. Geman** (United States of America) paid tribute to the dedication of the staff of the organizations of the common system, many of whom worked in difficult and sometimes dangerous conditions. The International Civil Service Commission must ensure that each organization recruited the most competent staff possible, bearing in mind the requirements imposed by their various mandates.

42. Her delegation supported in general the recommendations set forth in the Commission's report provided that the financial implications could be absorbed within the budget level approved for the current biennium ($2.536 billion).

43. The Framework for Human Resources Management proposed in the report of the Commission (A/55/30) was a promising first step towards resolution of the problem posed by the diverse needs of the organizations of the common system. By identifying core and non-core aspects of human resources management, the Framework provided the necessary flexibility. Her delegation looked forward to future reports of the Commission on progress in the implementation of the Framework. It recognized the need to finalize the standards of conduct of international civil service and eagerly anticipated seeing the revised standards submitted to the General Assembly at its fifty-sixth session.

44. On the subject of the review of the pay and benefits system, she requested clarification concerning the creation of a steering committee to direct, over a two-year period and under the overall coordination of the Chairman of the Commission, all future work on the review of the pay and benefits system, in particular how the recommendations of the steering committee would be brought before an open-ended working group of the whole (A/55/30, para. 44). She took note of the concerns of the staff regarding broadbanding in determining salary levels and stressed that jobs should not be classified according to the incumbent's qualifications or grade but solely on the basis of the scope and level of the duties and responsibilities required by the job description. Any proposal for changes in human resources policy must clearly identify their relative advantages and disadvantages.

45. With respect to the education grant, it was necessary to harmonize the staff rules and regulations of the organizations with those of the United Nations and she supported the recommendation made by the Commission in its report (para. 81). With regard to the recent proactive investigation by the Office of Internal Oversight Services (OIOS), she requested that the administrations of all the organizations should ascertain whether they had adequate internal controls to avoid abuse of the education grant system, as well as other dependency entitlements within the common system.

46. Her delegation agreed with the Commission that means should be explored to improve the grade equivalency study and associated itself with other delegations which supported a review of the Commission, in which the latter would participate. She welcomed the report of the Secretary-General on that issue and agreed that the review should, among other things, focus on ways in which the Commission could contribute to the reform process. The review would require the full participation of the three parties concerned — the Member States, the executive heads and the staff — as well as members of the Commission and experts in the field of human resources management.

Agenda item 138: Financing of the United Nations peacekeeping forces in the Middle East

(b) United Nations Interim Force in Lebanon
(A/55/482 and A/55/516)

47. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee (A/55/516) on the revised budget of the United Nations Interim Force in Lebanon (UNIFIL) for the period from 1 July 2000 to 30 June 2001 (A/55/482), said that the revised budget presented by the Secretary-General amounted to $225,535,700 gross, an estimate that was $86,758,400 higher than the initial approved budget, which reflected, inter alia, the increase in authorized troop strength from 4,513 to 7,935 that had been endorsed by the Security Council. In paragraph 12 of its report, the Advisory Committee recommended that the General Assembly should appropriate an additional gross amount for the expansion of the mission, as proposed by the Secretary-General.

The meeting rose at noon.